

Order 2001-9-9

Served: September 14, 2001

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**UNITED STATES OF AMERICA
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
WASHINGTON, D.C.**

**Issued by the Department of Transportation
on the 14th day of September, 2001**

**INTRA-ALASKA BUSH AND
MAINLINE MAIL RATES**

**Dockets OST-95-405 - 101
&
OST-95-429 - 153**

**ORDER UPDATING RATE FOR QUARTERLY FUEL COSTS
AND FINALIZING MAINLINE MAIL RATE**

Summary

By this order the Department is making its regular quarterly adjustments to the Intra-Alaska mainline and bush mail rates to reflect the most recent quarterly changes in fuel costs, effective October 1, 2001, and reflecting fuel expenses for the QE June 30, 2001, consistent with the methodologies established in Orders 99-12-15 and 2000-5-30.

In addition, because the 45-day period for objections to the mainline rate tentatively proposed in Order 2001-7-1 has expired without objections, we will finalize that rate along with the updated quarterly fuel cost.

Background

By Order 2001-3-11 the Department established final mail rates for carriage of bush mail for the period April 1, 2001, through March 31, 2002, but provided for the regular quarterly update of the rate for changes in fuel costs. Order 2001-6-10 updated that annual rate to reflect QE March 31, 2001, fuel costs, and this order is again updating the annual rate to reflect QE June 30, 2001, fuel costs.

By Orders 2000-11-9 and 2001-4-12 the Department established final mail rates for carriage of mainline mail for the period October 1, 2000, through September 30, 2001, and also provided for the regular quarterly update of the rate for changes in fuel costs. As with the bush, Order 2001-6-10 updated the

annual rate to reflect QE March 31, 2001, fuel costs. Most recently, by Order 2001-7-1 the Department tentatively set mail rates for the carriage of mainline mail for the period October 1, 2001, through September 30, 2002. Because the 45-day period provided for objections has expired without objections, we will make the rate tentatively set in that order final. Also, as provided in Order 2001-7-1, we will now update the rate to reflect QE June 30, 2001, fuel costs to reflect the most recent data available.

The Department has stated that we would continue this quarterly update of fuel until further notice. Since the carriers' traffic and financial data are reported 45 days after the end of the accounting period, we will continue to make quarterly adjustments with a one-quarter lag between the availability of the data and the effective date of the rate.

For the bush carriers, the data in Appendix C-Bush show that fuel costs for the bush have increased to \$97.04 per block hour from the \$95.53 level in Order 2001-6-10. This produces a .31% increase in the overall bush linehaul rate as shown in Appendix B-Bush. For the mainline carriers, the data in Appendix C-Main show that fuel costs for the mainline have increased to \$.250883 per ATM from the \$.227323 level in Order 2001-6-10. This produces a 1.11% increase in the overall mainline linehaul mail rate as shown in Appendix A-Main.¹

The terminal portion of the mail rate is unaffected by our update of the linehaul for quarterly fuel costs for the bush or the mainline, but for easy reference we have included them in Appendices A-Bush and A-Main. The next quarterly adjustment for fuel costs for mainline and bush carriers would be based on QE September 30, 2001, data and would be effective for the period January 1, 2002, through March 31, 2002.

ACCORDINGLY,

1. For the mainline carriers, we fix, determine, and publish the proposed final rates specified in Appendix A-Main, to be effective for the period beginning October 1, 2001, until further Department action;
2. For the bush carriers, we fix, determine, and publish the proposed final rates specified in Appendix A-Bush, to be effective for the period beginning October 1, 2001, until further Department action;

¹ The mainline fuel update methodology continues the weighting of linehaul costs by amount of mail carried, as established in Order 2000-11-9.

3. We make final the tentative findings and conclusions specified in Order 2001-7-1, effective October 1, 2001, as shown in Appendix A-Main;
4. These dockets shall remain open until further order of the Department;
5. We will serve this order upon all parties on the Service List for this Docket; and
6. We are issuing the quarterly fuel updates on a final basis. Consistent with our rules, parties will have twenty days from the date of service of this order to petition the Department for reconsideration of the quarterly fuel update.

By:

Susan McDermott
Deputy Assistant Secretary for Aviation
And International Affairs

(SEAL)

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INTRA ALASKA BUSH MAIL

Prior Orders: 2001-6-10 and 2001-1-12
To be Effective: October 1, 2001, through December 31, 2001

Base Year Rates 1/	Adjustment Factors 2/	New Final Rate 3/ 4/	Current Rate Order 2001-6-10	Percentage Increase 5/
\$5.9525	83.76% 2/	\$10.9383	\$10.9044	0.31%
\$0.2217	63.01% 3/	\$.3614	\$0.3614	0.00%

1/ Appendix E, Order 90-10-34.

2/ Appendix B-Bush to this order.

3/ Order 2001-1-12, Appendix A

4/ Column 1 increased by column 2.

Appendix B-Bush

INTRA-ALASKA BUSH MAIL

Base Year Ended <u>9/30/80</u>	Unit Costs <u>QE 3/31/01</u>	Unit Costs <u>QE 6/30/01</u>
Unit Cost per Hour		
Fuel	\$95.53 2/	\$97.04 3/
Nonfuel	\$283.63 2/	\$383.63 2/
Tot	\$261.57 1/	\$480.67
Percentage Change from Base Year	83.19%	83.76%

1/ Order 90-10-34, Appendix B.

2/ Order 2001-6-10, Appendix B-Bush.

3/ Appendix C-Bush to this order.

Intra-Alaska Bush Mail--Quarter Ended June 30, 2001
Summary of Carriers' Fuel Portion of Linehaul Expenses

		Fuel Expense	Block Hours	Unit Costs
1 .	A. Island Air	\$0	0	\$0.00
2 .	Arctic Circle	\$194,244	2,635	\$73.72
3 .	Arctic Tpt.	\$198,666	2,059	\$96.49
4 .	Baker	\$46,572	673	\$69.20
5	BellAir	\$92,152	1,018	\$90.52
6 .	Bering	\$542,770	3,572	\$151.95
7 .	Camai	\$60,895	1,126	\$54.08
8 .	C. Smythe	\$386,188	2,588	\$149.22
9 .	ERA-Bush 1/	\$355,553	3,425	\$103.81
10 .	Frontier	\$507,752	4,733	\$107.28
11 .	Grant	\$573,204	5,250	\$109.18
12 .	Hageland	\$764,779	7,338	\$104.22
13 .	Ketchikan	\$0	0	\$0.00
14 .	Larrys	\$181,412	2,489	\$72.89
15 .	MarkAir	\$0	0	\$0.00
16 .	Peninsula	\$1,343,301	11,138	\$120.61
17	ProMech	\$210,470	3,067	\$68.62
18 .	Tanana	\$145,392	2,849	\$51.03
19 .	Taquan 2/	\$0	0	\$0.00
20 .	Temsco	\$0	0	\$0.00
21 .	Warbelow's	\$298,705	4,508	\$66.26
22 .	Wings	\$213,499	4,227	\$50.51
23 .	Wright	\$175,748	3,002	\$58.54
24 .	Yute	\$352,881	2,775	\$127.16
	Total	\$6,644,183	68,472	\$97.04

1/ Includes expenses reported for Twin Otters only.

2/ Taquan is no longer a 401 carrier.

INTRA-ALASKA MAINLINE MAIL

Prior Orders: 2001-6-10 and 2001-7-1
 To be Effective: October 1, 2001, through December 31, 2001

(1)	(2)	(3)	(4)	(5)
Base Year Rates 1/	Adjustment Factors	New Rate 4/	Current Rate	Change from Prior Rate
Linehaul Charge per Billing Ton-Mile				
Priority	\$1.1969	67.70% 2/ 67.70% 2/	\$2.0072 \$1.2152	\$1.9852 5/ \$1.2018 5/
Non-priority	\$1.7246			1.11% 1.11%
Terminal Charge per Pound Originated				
Priority	\$1.1697	51.12% 3/ 51.12% 3/	\$2.2565 \$2.2203	\$2.2612 5/ \$2.2244 5/
Non-priority	\$1.1458			-1.80% -1.83%

1/ Per Order 82-11-23

2/ See Appendix B-Main to this order.

3/ Order 2001-7-1

4/ Column (1) increased by column (2).

5/ Per Order 2001-6-10.

Appendix B-Main

INTRA-ALASKA MAINLINE MAIL COST ADJUSTMENT FACTORS

Base Year Ended <u>9/30/80</u>	Unit Costs <u>QE 3/31/01</u>
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Unit Cost per Available Ton-Mile

Fuel	\$.227323	1/	\$.250883	2/
Nonfuel	\$.435219	1/	\$.419021	3/
Tot	\$.399469		\$.669910	

Percentage Change from Base Year

65.86%	67.70% 4/
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1/ Per Order 2001-6-10, Appendix B-Main.

2/ Appendix C-Main to this order.

3/ Order 2001-7-1

4/ \$.669910/\$.399469

Appendix C-Main

Intra-Alaska Mainline Mail --Quarter Ended June 30, 2001

	Alaska Airlines (AS)			Northern Air Cargo (NAC)			Lynden (LAC)			Air Cargo Express (ACE)		
	#621	#617	#612	#655	#711	#216	#556	#150	#218	C-46	DC-6	Grand Total
B-737-2C	737-400	737-700	MD-80	B-722	DC-6	Hercules						
				LINERHAUL COSTS								
Domestic Fuel 1/	\$4,948,922	\$23,969,507	\$9,878,764	\$21,806,949	\$1,462,797	\$1,178,035	\$24,140	\$125,487	\$1,270,194			
Intra-AK Skd. Blk. Hrs.	4,763	2,464	390	298	773	1,339	471	362	1,720			
Domestic Total 1/	5,989	36,994	17,302	28,245	791	1,547	913	379	1,784			
Intra-AK Fuel Expense	\$3,935,835	\$1,596,498	\$222,675	\$230,075	\$1,429,510	\$1,019,644	\$425,159	\$119,858	\$1,224,627			
Intra-AK Skd. ATMs	22,421,512	11,968,983	1,624,706	1,434,849	5,105,483	3,445,719	2,908,360	253,728	3,874,037			
Unit Cost/ATM. Fuel	\$1,175,538	\$1,133,386	\$1,137,056	\$1,160,348	\$2,279,995	\$2,295,916	\$1,146,185	\$472,388	\$3,161,111			
Intra-AK Mail RTMs 2/	1,452,279	238,531	17,725	16,238	1,065,667	740,831	884,221	141,061	2,116,408			
RTM Percent of Total	21.76%	3.57%	0.27%	0.24%	15.97%	11.10%	13.25%	2.11%	31.72%			
Wtd. Cost/ATM. Fuel	\$0,038197	\$0,004762	\$0,000370	\$0,000385	\$0,044715	\$0,032847	\$0,019370	\$0,009967	\$0,100270			

1/ ACE and NAC had no international operations; Alaska Airlines separately reported its international operations.

2/ As flown, i.e., by segment.

Source: Carrier internal reports and Form 41.